

Written Statement of
Stewart Baker

Assistant Secretary for Policy

Before the

House Committee on Homeland Security
Wednesday, May 24, 2006
1:00 p.m.

I thank Chairman King, Ranking Member Thompson, and all of the distinguished members of this Committee.

I appreciate the opportunity to speak briefly today regarding the Department of Homeland Security's role as a member of the Committee on Foreign Investment in the United States and DHS's support for CFIUS reform.

DHS's CFIUS Background

The Department of Homeland Security is the newest member of CFIUS. We became a member in March 2003, soon after DHS began as an organization of 22 diverse agencies whose common mission is the protection and security of our nation and people. Since that time, we have participated in the review of more than 170 foreign acquisitions involving some of the nation's critical infrastructure, technology, and other assets vital to our national security.

I mention our origins to stress what I believe is a key strength of the Department – we bring to the CFIUS a diversity of viewpoints, expertise, and skills. The government agencies from which we were formed give DHS a broad perspective, informed by an understanding of infrastructure threats, vulnerabilities and consequences. DHS generally leads CFIUS reviews of transactions involving critical infrastructure, and we also have entered into dozens of agreements to mitigate national security risks that may arise from CFIUS transactions. When we enter into these important agreements, DHS is careful to monitor compliance, and we do so in coordination with other CFIUS agencies who are parties to the agreements.

I think my CFIUS colleagues will vouch for the fact that we take our role in CFIUS seriously and interpret our security mandate broadly. We ensure that components throughout DHS review each and every transaction. DHS's forward-leaning stance on security issues sometimes gives rise to debate within CFIUS, but it is a healthy debate that ultimately enhances national security and investment. A substantial portion of DHS was formed out of the Treasury Department and we have no doubt our dual mission requires us to protect homeland security while maintaining an open investment policy.

In case it is not clear from my remarks so far, I should say explicitly that the CFIUS process is one of DHS's highest priorities, and senior officials in the Department are involved in every case. We are also cognizant of the fact that the number of CFIUS cases is on the rise, and our staffing plan is responsive to that fact. When I became Assistant Secretary for Policy, one of the

first individuals I hired was someone whose primary responsibility is to help manage the Department's CFIUS program, and we are continuing to build our CFIUS staff.

CFIUS Reform

As to reform of the CFIUS process, I'll briefly make three points. First, let me commend the members of this committee for your thoughtful and productive work in your efforts to balance national security and open investment principles.

Second, DHS fully subscribes to the principles for further improvement that were articulated by my Treasury colleague. While DHS functions as an autonomous agency within CFIUS, the Treasury reform principles have our complete support.

Third, DHS is pleased to be involved in this dialog about the reform of the CFIUS process and to lend our expertise and experience in the reform process. We hope that you will continue to reach out to us, and we stand ready to provide our technical expertise in helping to ensure that national security and open investment principles are balanced in a manner that benefits our nation.